

**701—107.14(422B) Local option sales and service tax imposed by a city.**

**107.14(1)** On or before January 1, 1998, a city may impose by ordinance of its council a local sales and service tax if all of the following circumstances exist:

- a.* The city's corporate boundaries include areas of two Iowa counties.
- b.* All the residents of the city live in one county as determined by the latest federal census preceding the election described in paragraph "*c*" immediately below. Effective May 20, 1999, at least 85 percent of the residents of the city must live in one county to qualify.
- c.* The county in which the city's residents reside has held an election on the questions of the imposition of a local sales and service tax and a majority of those voting on the question in the city favored its imposition. Effective May 20, 1999, the city residents must live in the county and have held an election on the question of the imposition of the local sales and service tax and a majority of those voting on the question in the city favored its imposition.
- d.* The city has entered into an agreement on the distribution of the sales and service tax revenues collected from the area where the city tax is imposed with the county where such area is located.

**107.14(2)** Imposition of the tax is subject to the following restrictions:

- a.* The tax shall only be imposed in the area of the city located in the county where none of its residents reside. Effective May 20, 1999, the tax shall only be imposed in the area of the city located in the county where not more than 15 percent of the city's residents reside.
- b.* The tax shall be at the same rate and become effective at the same time as the county tax imposed in the other area of the city.
- c.* The tax once imposed shall continue to be imposed until the county-imposed tax is reduced or increased in rate or repealed, and then the city-imposed tax shall also be reduced or increased in rate or repealed in the same amount and be effective on the same date.
- d.* The tax shall be imposed on the same basis as provided in rule 107.9(422B).
- e.* The city shall assist the department of revenue to identify the businesses in the areas which are to collect the city-imposed tax. The process shall be ongoing as long as the city tax is imposed.
- f.* The agreement on the distribution of the revenue collected from the city-imposed tax shall provide that 50 percent of such revenue shall be remitted to the county in which the part of the city where the city tax is imposed is located.

This rule is intended to implement Iowa Code chapter 422B as amended by 1999 Iowa Acts, chapter 156, sections 5 and 6.